

# FISCAL NOTE

**Bill #:** HB0121

**Title:** Pyramid scheme prohibition and establishing criminal penalties

**Primary Sponsor:** Billie Krenzler

**Status:** As introduced

Sponsor signature	Date	Dave Lewis, Budget Director	Date
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## Fiscal Summary

	<b><u>FY2000 Difference</u></b>	<b><u>FY2001 Difference</u></b>
<b>Expenditures:</b>		
General Fund	\$5,000	\$5,000
<b>Revenue:</b>		
General Fund	\$10,000	\$10,000
<b>Net Impact on General Fund Balance:</b>	<b>\$5,000</b>	<b>\$5,000</b>

<b><u>Yes</u></b>	<b><u>No</u></b>		<b><u>Yes</u></b>	<b><u>No</u></b>	
	X	Significant Local Gov. Impact		X	Technical Concerns
	X	Included in the Executive Budget		X	Significant Long-Term Impacts

## Fiscal Analysis

### ASSUMPTIONS:

1. This bill becomes effective October 1, 1999.
2. Multilevel distribution companies are not currently regulated in Montana. The Department of Commerce received approximately 75 complaints/inquiries during FY 1998, and the State Auditor's Office (SAO) received more than 600 complaints/inquiries identifying more than 97 multilevel distributions companies doing business in Montana during FY 1998. The SAO will handle all 675 complaints/inquiries. This will result in 10 additional investigations per year, two of which will result in fines and one of which will go to a contested hearing.
3. The SAO has investigated five pyramid promotional schemes in the past three years, involving more than 4,500 Montana victims, which resulted in two contested hearings and one permanent order.

4. The SAO will create and maintain a system for notice filings by multilevel distribution companies which will be integrated into the agency's current database system.
5. The fine for operating a pyramid promotional scheme is \$10,000. The fine for conducting multilevel distribution business without filing a notice of activity is \$5,000. Fines are estimated to be \$10,000 in both FY 2000 and FY 2001.
6. Passage of the bill will not require any additional FTE. Hearing and preparation costs will average \$5,000 per hearing.

FISCAL IMPACT:

	<u>FY2000 Difference</u>	<u>FY2001 Difference</u>
<u>Expenditures:</u>		
Operating Expenses	\$5,000	\$5,000
<u>Funding:</u>		
General Fund (01)	\$5,000	\$5,000
<u>Revenues:</u>		
General Fund (01)	\$10,000	\$10,000
<u>Net Impact to Fund Balance (Revenue minus Expenditure):</u>		
General Fund (01)	\$5,000	\$5,000